



Davis Wright Tremaine LLP

ANCHORAGE BELLEVUE LOS ANGELES NEW YORK PORTLAND SAN FRANCISCO SEATTLE SHANGHAI WASHINGTON, D.C.

DANIELLE FRAPPIER
DIRECT (202) 973-4242
DIRECT FAX (202) 973-4499
daniellefrappier@dwtt.com

1919 PENNSYLVANIA AVE. N.W.
SUITE 200
WASHINGTON, D.C. 20006-3402

TEL (202) 659-9750
FAX (202) 452-0067
www.dwt.com

January 28, 2009

Ms. Karen M. Majcher
Vice President, High Cost and Low Income Division
Universal Service Administrative Company
2000 L Street NW, Suite 200
Washington, DC 20036

SENT VIA EMAIL TO: CETCCap@usac.org

Re: Corrections to the March 2008 High-Cost Support Data of Centennial Communications Corp. and its CETC Subsidiaries

Dear Ms. Majcher:

In this letter, Centennial Communications Corp., along with its subsidiaries that are designated competitive eligible telecommunications carriers ("CETCs") (collectively, "Centennial" unless referred to individually),¹ provide some additional information and analysis to the Universal Administrative Company ("USAC") regarding the USAC proposed interim cap on high cost funding, in response to some follow-up information provided by USAC, via email, on January 9, 2009.² This follow-up information was provided in response to Centennial's December 31, 2008 letter correcting (to the extent possible) the proposed interim high cost cap amounts and requesting further data from USAC ("Centennial Dec. 31 Letter")³

¹ The Centennial entities that are designated ETCs are: South Bend Metronet, Inc., Elkhart Metronet, Inc., Mega Comm LLC, Centennial Randolph Cellular LLC, Centennial Cellular Tri-State Operating Partnership, Centennial Beauregard Cellular LLC, Centennial Caldwell Cellular Corp., Centennial Hammond Cellular LLC, Centennial Morehouse Cellular LLC, Centennial Lafayette Communications LLC, Centennial Michigan RSA 6 Cellular Corp., Centennial Michigan RSA 7 Cellular Corp., Michiana Metronet, Inc., Centennial Clairborne Cellular Corp., Centennial Puerto Rico Operations Corp., and Centennial USVI Operations Corporation.

² Email from USAC to Danielle Frappier, Davis Wright Tremaine LLP (counsel to Centennial) (Jan. 9, 2009) ("USAC Responsive Data Email") (copy attached).

³ Letter to Karen M. Majcher, Vice President, High Cost and Low Income Division, USAC, from Danielle Frappier, Davis Wright Tremaine LLP (counsel to Centennial) (filed with USAC on Dec. 31, 2008) (copy attached). By way

1. Centennial Still Cannot Fully Confirm the Data Underlying the Proposed Caps

As we noted in the Centennial Dec. 31 Letter, the FCC has not been clear as to what information Centennial is supposed to “confirm” with respect to the interim caps, because the FCC never explained what is embraced within the scope of the term “data” as used in the Public Notice. As we explained, under the identical support rule, a CETC’s level of support is tied to the level of support provided to incumbent local exchange carriers (“ILECs”); yet Centennial has no direct access to, and therefore cannot confirm, the underlying ILEC-related data in any of its CETC areas. Moreover, the interim cap applies to the total amount of support provided to all CETCs in a given jurisdiction. Centennial is not in a position to in any way “confirm” information regarding non-Centennial ETCs, even though such information may well affect the capped amounts to which Centennial is entitled.⁴

Our understanding, based on the information USAC has provided, is that USAC began its cap calculations with a “baseline” consisting of funding that was actually distributed in March 2008 less any prior period adjustments to line counts, per line rates and changes in eligibility.⁵ While we appreciate receiving the new information from USAC, we remain fundamentally unable to “confirm” USAC’s estimate of the caps in any jurisdiction, for the reasons noted above: most of the underlying relevant figures come from other entities; in some cases we do not

of background, as USAC is aware, the Federal Communications Commission (“FCC”) issued an order on May 1, 2008 adopting an interim cap on the high cost support that CETCs may receive. This order set an overall per state cap (and not a cap specific to any particular CETC(s)) at March 2008 levels. *In Re High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Alltel Communications Inc., et al. Petitions for Designation as Eligible Telecommunications Carriers, RCC Minnesota, Inc. and RCC Atlantic, Inc. New Hampshire ETC Designation Amendment*, Order, 23 FCC Rcd 8834 (FCC rel. May 1, 2008) (“Interim Cap Order”) at ¶ 38. USAC published its proposed interim high cost caps on December 5, 2008. See USAC website at <http://www.usac.org/hc/tools/latest-news/default.aspx>. In the Centennial Dec. 31 Letter, Centennial mistakenly gave the date of publication of the proposed caps as Dec. 10, 2008. The USAC website, however, reflects that this information was actually posted on Dec. 5, 2008. On December 10, 2008, the FCC issued a Public Notice stating that CETCs, such as Centennial, should confirm the “data” on which the proposed interim cap was based. *March 2008 Capped Universal Service High-Cost Support for Competitive Eligible Telecommunications Carriers*, Public Notice DA 08-2684 (rel. Dec. 10, 2008) (“Public Notice”). In response to the Public Notice, the Centennial Dec. 31 Letter was filed to provide corrections, to the extent possible, to the high cost caps.

⁴ For example, Centennial cannot verify whether other CETCs have filed correct information, whether they have failed to timely make any required filings, or whether there have been any changes in their eligibility, even though any deficiencies with respect to such filings or eligibility could have affected the individual CETC’s funding, which would have affected the overall state cap and, therefore, Centennial’s funding levels. Or, if an ILEC fails to make timely and accurate filings, this can adversely affect ILEC funding, and so would adversely affect CETC funding. Furthermore, neither USAC nor the FCC have explained how they will handle late or inaccurate ILEC filings. Not only would Centennial not have access to such filings, but it does not even receive notice that any such filings have been made. Finally, neither the FCC nor USAC have announced whether the cap will take into account, or later be adjusted for, pending waivers, appeals of funding decisions or filing deadlines, or similar filings. See Centennial Dec. 31 Letter at 2-3 for further discussion.

⁵ USAC Responsive Data Email attachment at “Mississippi Baseline Research” spreadsheet/response column for total monthly funding.

even know what those figures are; and even where we do, we are in no position to verify or confirm them in any way. Obviously it would be unfair and unreasonable to penalize Centennial in any way for failing to “confirm” information of which it has no direct knowledge and of which it may not be aware at all.

In these circumstances, Centennial renews its objection to any downward adjustment of the interim cap, or any denials of upward adjustments, based on any late-filed or inaccurate filings of any third parties, including, without limitation, any such filings made after USAC posted the proposed interim cap amounts on December 5, 2008.⁶ It also renews its reservation to seek modifications in the amount of funding Centennial is entitled to receive based the failure of any third party to make timely and accurate filings, as well as all funding it would have received had Centennial been provided all data, formulas, methodology and information necessary to fully verify USAC’s proposed interim caps.

2. Issues with the USAC Responsive Data

In the Centennial Dec. 31 Letter, we pointed out certain inconsistencies and errors between the proposed interim cap amounts and USAC’s published projections of monthly support for the first quarter of 2008 (“1Q 2008”)⁷—the most appropriate comparison point available to Centennial at that time. Now that we have received USAC’s new data, it appears that USAC is actually starting with amounts actually in March 2008, less prior period adjustments, as the baseline. Obviously, because Centennial did not know prior to receiving the USAC responsive data that USAC was using actual distributed amounts less adjustments (nor did Centennial have such data), the Centennial Dec. 31, 2008 Letter used the only other possible point of comparison to assess the proposed cap amounts—the 1Q 2008 projections. Thus, Centennial made corrections and comments in its letter based on *that particular comparison*. For example, if Centennial’s comparison revealed a decrease from the 1Q 2008 projections and the proposed cap for high cost loop (“HCL”), but no change for interstate common loop support (“ICLS”), in Indiana, Centennial pointed out the decrease in HCL but made no comment on ICLS for that state. That does not mean, however, that had it been provided with USAC’s baseline-less-adjustment data for ICLS in Indiana that it would not have had any corrections or comments. USAC’s responsive data, however, did not provide comprehensive data such that Centennial would be able to provide comprehensive analysis. Instead, in following the above illustrative example, the USAC responsive data only addressed HCL in Indiana and not ICLS.

In addition, USAC has not uniformly provided its underlying data for all types of funding in all states. This makes it difficult for Centennial to provide consistent comments on/analysis of the information for different states.

⁶ Centennial uses the phrase “third parties” to specifically include, without limitation, other CETCs, ILECs, USAC and all state and federal governmental entities.

⁷ Centennial Dec. 31 Letter at 4-9.

All of our concerns regarding confirming or verifying the caps noted above, however, apply to this new baseline. We simply do not have access to most of the relevant data and so cannot meaningfully confirm or verify USAC's baseline amounts. The end result is that for all the reasons discussed above, there is simply no way Centennial can confirm very much with respect to the proposed interim high cost cap amounts, even considering the new information from USAC. To the extent that USAC has provided responsive data on specific funding points addressed in the Centennial Dec. 31 Letter, we have provided below additional corrections and comments.

Finally, USAC did not respond in any way to Centennial's corrections and comments regarding the requests and waiver petitions pending before the FCC in the U.S. Virgin Islands ("USVI"), Puerto Rico and Louisiana. These matters were extensively addressed in the Centennial Dec. 31 Letter.⁸ Centennial again requests USAC to address the impact of those pending requests and petitions on the proposed interim cap amounts.

⁸ Centennial Dec. 31 Letter at 9-12. The USVI waiver petition also included a request to waive the line count deadline of 47 C.F.R. § 54.307(d), which Centennial failed to list in the summary of this petition in the Centennial Dec. 31 Letter. *See* Supplemental Letter from W. Roughton (filed Mar. 6, 2008) (cited in footnote 13 of Centennial Dec. 31 Letter).

Indiana	
Total Monthly Funding / HCL / ICLS / Local Switching Support ("LSS") / Safety Net Additive ("SNA")	The USAC responsive data provide no information for Michiana Metronet, Inc. (SAC 329006). The USAC projected interim cap released in Dec. 2008 reflects that a total of \$7,785 was distributed to this entity in March 2008 (in the form of \$908 in HCL funding, \$4,207 in ICLS funding, \$2,590 in LSS funding, and \$80 in SNA funding). Centennial requests that USAC clarify whether this was simply a clerical error, or whether there are any substantive issues with this entity's funding. Failure to correct any such error would result in Centennial's funding in Indiana being \$7,785 lower per month and would also lower the interim cap by the same amount per month.
Louisiana	
Interstate Access Support ("IAS")	The USAC responsive data do not reflect Centennial timely-filed line count revisions for the March 31, 2008 filing, which increased Centennial's line counts from the original filing. This lowers Centennial's stated IAS funding by \$16,712 per month , and also lowers the separate IAS cap in Louisiana by the same amount per month. Attached, Centennial is providing a spreadsheet reflecting the revised line counts filed with USAC, along with calculations of how those revisions would result in an additional \$16,712 per month to Centennial as well as to the USAC proposed cap amounts. (The attached spreadsheet is an edited version of the IAS spreadsheet for Louisiana forwarded with the USAC Responsive Data Email.)

Michigan	
Total Monthly Funding	<p>The USAC responsive data provide no detailed information for Michiana Metronet, Inc. (SAC 319008). It merely provides the total funding purportedly distributed in March 2008 for this entity. As a result, Centennial has no way of verifying any of the responsive data or cap amounts for this entity in Michigan.</p> <p>With respect to the overall proposed interim cap in Michigan, the USAC responsive data state that:⁹</p> <p style="padding-left: 40px;">[t]he baseline is determined by March 2008 Disbursements, as always projections and disbursements will vary, due to changes in line counts, revisions of line counts and ETC in a given state. The total dollar difference between HC Funding and the Baseline for Michigan is (\$26,483). A new ETC (Sprint Spectrum) was designated on January 29, 2008. Any disbursements for this ETC were not included in projections, this carrier only receives IAS and ICLS support.</p> <p>This meaning of this language is not at all clear. The most logical interpretation, and in light of the description of USAC's "baseline" in the Mississippi responsive data, is that the \$26,483 is the difference between what was actually distributed in March 2008 (presumably, this is what was meant by "HC Funding") and the adjusted "baseline."¹⁰</p> <p>Given the additional responsive data on HCL, IAS, LSS and SNA, it appears that the responsive data are stating that the overall cap in Michigan was reduced by \$26,283 per month compared to amounts actually distributed, due to various adjustments to HCL, IAS, LSS and SNA. It appears that there may be a mathematical error, however, as the net effect of these adjustments would be to reduce the overall cap by \$26,033, not \$26,283.¹¹</p> <p>Regarding the designation of Sprint Spectrum L.P., if this entity was designated an ETC on Jan. 29, 2008, funding for that entity should have been included in the projected cap amounts because that entity would have received funding in March 2008. The USAC projected interim caps, however, do not include any funding for this entity. Further, USAC's response quoted above reflects that the projected interim cap decreased by \$26,483 per month, and yet, USAC gives no explanation for this decrease.</p> <p>Centennial requests further clarification on the above points, and reserves the right to make further comment and corrections to these data upon clarification.</p>

⁹ USAC Responsive Data Email attachment at "Michigan Baseline Research" spreadsheet/response column for total monthly funding.

¹⁰ Where USAC used the term "baseline" or similar language in its responsive data, Centennial will assume this interpretation to be accurate in its corrections and comments herein. To the extent that that interpretation is not correct, Centennial reserves the right to provide additional corrections and comments.

HCL	<p>The USAC responsive data state that:¹²</p> <p>The difference between the baseline and the disbursement is (\$39,921). The baseline accounts for ILEC data changes that affected 1Q 2008. The result was a negative adjustment for HCL.</p> <p>It appears from this language that the projected cap takes into account unidentified data changes of ILECs that Centennial cannot verify, which reduced the cap in Michigan by \$39,921 per month compared to amounts actually distributed.</p>
IAS	<p>The USAC responsive data state that:¹³</p> <p>The difference between the baseline and the disbursement is \$13,721 due to revisions in Alltel line counts.</p> <p>It appears from this language that the projected cap takes into account Alltel line count revisions, which Centennial cannot verify, that <u>increased the cap in Michigan by \$13,271 per month</u> compared to amounts actually distributed.</p>
SNA	<p>The USAC responsive data state that:¹⁴</p> <p>The difference between the baseline and the disbursement amount is \$575. Support for Dobson Cellular increased, resulting in a higher baseline for Michigan.</p> <p>It appears from this language that the projected cap takes into account increases in support to Dobson Cellular without explaining why such increases were implemented, and as a result, Centennial cannot review whether the increases are appropriate. These increases will <u>increase the cap in Michigan by \$575 per month</u> compared to amounts actually distributed.</p>

¹¹ The total reductions noted by USAC in its responsive data is \$40,329 (\$39,921 in HCL + 408 in LSS). The total increases noted in the same data is \$14,296 (\$13,721 in IAS + \$575 in SNA). The net effect is that the cap was reduced by \$26,033 (\$40,329 - \$14,296), not the \$26,483 noted by USAC in its responsive data.

¹² USAC Responsive Data Email attachment at "Michigan Baseline Research" spreadsheet/response column for HCL.

¹³ USAC Responsive Data Email attachment at "Michigan Baseline Research" spreadsheet/response column for IAS.

¹⁴ USAC Responsive Data Email attachment at "Michigan Baseline Research" spreadsheet/response column for SNA.

Mississippi	
Total Monthly Funding	<p>The USAC responsive data state that:¹⁵</p> <p>The baseline is determined by the March 2008 disbursement amount less any prior period adjustments. There will be variances between disbursements and projections due to line count revisions, per line rates and changes in eligibility. The difference between the March baseline and disbursements is \$32,870</p> <p>Centennial understands this language to mean that the projected cap takes into account the net effect of the reductions and increases in HCL, HCM, IAS, LSS and SNA. Centennial has provided comments and corrections for each of these funding elements below.</p>
HCL	<p>The USAC responsive data state that:¹⁶</p> <p>The difference between the baseline and the disbursements for HCL was (\$40,429), in July 2008 eligibility changes were made to correct payments going to ineligible competitors for 1st and 2nd quarters 2008. Also 289004 saw a decrease in funding due to a decrease in ILEC support (1Q and 2Q 2008).</p> <p>It appears from this language that the projected cap takes into account unidentified eligibility changes and unidentified ILEC data changes, which Centennial cannot verify, that reduced the cap in Mississippi by \$40,429 per month compared to amounts actually distributed.</p>
HCM	<p>The USAC responsive data state that:¹⁷</p> <p>The difference between the baseline and the disbursements for HCM is \$43,249. Several carriers had loop updates (increases) during the 2Q2008 which applied to 1Q2008, as well as high per line rates.</p> <p>It appears from this language that the projected cap takes into account line count increases of multiple unidentified ETCs, information that Centennial cannot verify, which <u>increased the cap in Mississippi by \$43,249 per month</u> compared to amounts actually distributed.</p>

¹⁵ USAC Responsive Data Email attachment at "Mississippi Baseline Research" spreadsheet/response column for total monthly funding.

¹⁶ USAC Responsive Data Email attachment at "Mississippi Baseline Research" spreadsheet/response column for HCL.

¹⁷ USAC Responsive Data Email attachment at "Mississippi Baseline Research" spreadsheet/response column for HCM.

IAS	<p>The USAC responsive data state that:¹⁸</p> <p>The difference between the baseline and the disbursements was \$28,638.</p> <p>It appears from this language that <u>the cap in Mississippi was increased by \$28,638 per month</u> compared to amounts actually distributed, but USAC gives no explanation as to why.</p>
LSS	<p>The USAC responsive data state that:¹⁹</p> <p>The difference between the baseline and the disbursement is \$174. This increase appears to be for an increase in per line rates which occurred during April disbursements for March 2008. The line counts do represent areas not receiving LSS, however in calculations a zero dollar per line rate was used. These line counts are appearing for your SAC because the ILEC filed the lines.</p> <p>It appears from this language that the projected cap takes into account increases in per line rates (likely affecting multiple unidentified ETCs). This is information that Centennial cannot verify and that appears to have <u>increased the cap in Mississippi by \$174 per month</u>.</p>
SNA	<p>The USAC responsive data state that:²⁰</p> <p>The difference between the baseline and the disbursements was \$1,238. April disbursements noted a change in support due to increased ILEC support. Disbursements also include prior period adjustments for 200801 thru 200803. Line count discrepancies due to same reason as above.</p> <p>It appears from this language that <u>the cap in Mississippi was increased by \$1,238 per month</u> compared to amounts actually distributed, but USAC gives insufficient explanation as to why because (1) it fails to identify why the ILEC funding increased and (2) it fails to provide any underlying data for the adjusted funding for SACs 200801 through 200803.</p>

¹⁸ USAC Responsive Data Email attachment at "Mississippi Baseline Research" spreadsheet/response column for IAS.

¹⁹ USAC Responsive Data Email attachment at "Mississippi Baseline Research" spreadsheet/response column for LSS.

²⁰ USAC Responsive Data Email attachment at "Mississippi Baseline Research" spreadsheet/response column for SNA.

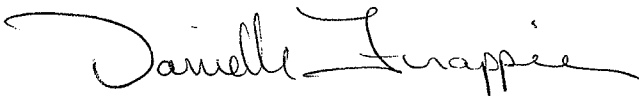
U.S. Virgin Islands	
Total Monthly Funding/ HCL	<p>The per-line rate provided in the USAC responsive data is \$10.75, which is lower USAC's projection for 1Q 2008 (which was \$11.19). USAC provides no explanation as to why this rate was changed. Centennial, therefore, cannot confirm this rate, and opposes any downward adjustment to Centennial's funding, or to the cap in the USVI unless it receives adequate explanation.</p> <p>Further, USAC's responsive data still reflect \$0 HCL support in the USVI, apparently because the proposed cap excludes the HCL support that Centennial will receive once its pending waiver petition is granted. Even assuming that the new rate is valid, the USAC proposed cap would still be decreased by \$48,988 per month if the pending Centennial waiver petition is not properly taken into account. Centennial opposes any such downward adjustment pending the outcome of its waiver petition described more fully in the Centennial Dec. 31 Letter.</p>

Ms. Majcher
January 28, 2009
Page 11

Should you have any questions regarding the above, please do not hesitate to contact the undersigned.

Respectfully submitted,

Davis Wright Tremaine LLP

A handwritten signature in cursive script, reading "Danielle Frappier". The signature is fluid and elegant, with a large initial "D" and a long, sweeping underline.

Danielle Frappier